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INTERNATIONAL TRADE DEVELOPMENTS

Action Agenda for APEC Liberalization Under Development
In November 1995, APEC Leaders will meet in Osaka, Japan to review an agenda for implementing the Bogor Declaration, which calls for free and open trade and investment in the region by 2020. Preparations for the November meeting are underway.
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New Zealand in the Trade and Labor Debate
The link of trade agreements to labor standards has drawn more and more attention in recent years, particularly after the coming into force of the North American Agreement on Labor Standards in 1994. Views on the appropriateness of this link diverge widely. The New Zealand Government has opposed linking trade agreements to labor standards in recent Organization of Economic Cooperation and Development (OECD) forums.
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U.S.-Korean Settlement of Disputes on Meat and Steel Trade
Before the recent meeting in Washington of President Kim Young Sam and President Clinton, the United States and Korea had reached bilateral agreements on trade disputes involving meat and steel.
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USITC The Year In Trade 1994
The annual USITC *The Year in Trade* report covers U.S. trade-related activities during 1994, including major multilateral, regional, and bilateral developments and the administration of U.S. trade laws and programs. This annual report highlights implementation of the Uruguay Round Agreements.
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SPECIAL FOCUS

Timeline of Uruguay Round Commitments
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INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

The Department of Commerce revised estimates of GDP growth for the second quarter of 1995 upward, from an annual rate of 0.5 percent ($7.2 billion) to 1.1 percent ($15.1 billion). The revised growth rate is the weakest quarterly performance in 4 years. GDP grew at an annual rate of 2.7 percent ($36.3 billion) in the first quarter of 1995.

A slowdown in investment spending accounted for the lethargic increase in second quarter GDP. Real nonresidential fixed investment increased in the second quarter by $21.1 billion compared with an increase of $35.4 billion in the first quarter. Producers of durable equipment purchases recorded a sharp slowdown, with spending in this category increasing by $17.2 billion, compared with an increase of $31.1 billion in the first quarter. Inventory reduction subtracted $18.4 billion from the second-quarter change in GDP. Businesses increased inventories in the second quarter by $32.7 billion, following an increase of $51.1 billion in the first quarter.

Consumer spending increased, but net exports declined. Personal consumption spending increased by $30.4 billion, compared with an increase of $14.3 billion in the first quarter. Durable goods purchases increased $3.9 billion in contrast to the earlier decrease of $4.8 billion. Real exports of goods and services increased $10.6 billion to $716.8 billion from the first quarter, and imports increased $19.0 billion to $843.6 billion. The trade deficit climbed to $126.8 billion in the second quarter from $118.4 billion in the first quarter.

Productivity and Costs

Data released by the Bureau of Labor Statistics show productivity gains in the second quarter of 1995, due to a large decline in hours worked and a slight increase in output in the business and nonfarm business sectors, as shown in table 1.

Business sector

From the first to the second quarter of 1995, business sector productivity increased at a 3.0-percent annual rate, as output rose by 0.4 percent and hours of all persons engaged in the sector fell by 2.5 percent. In the first quarter, productivity had increased by 2.1 percent as output increased by 4.3 percent and hours rose by 2.2 percent.

Hourly compensation increased by 3.8 percent in both the first and second quarters of 1995. This measure includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Unit labor costs, which reflect changes in hourly compensation and productivity, increased at a 0.8-percent annual rate during the second quarter, compared with a 1.7-percent rise during the first quarter. Real hourly compensation increased at a 0.4-percent annual rate in the second quarter, compared with a 0.7-percent increase in the first quarter of 1995.

Nonfarm business sector

Productivity rose 3.0 percent in the nonfarm business sector during the second quarter of 1995, compared with a 2.5-percent increase in the first quarter. As in the more comprehensive business sector, the productivity increase occurred because a small increase in output (0.6 percent) was combined with a large decline in the hours of all persons (2.4 percent). This was the largest drop in average weekly hours since the second quarter of 1980, when a 3.4-percent decline was recorded. During the first quarter of 1995, output in the nonfarm business sector increased by 4.5 percent and hours increased by 2.0 percent.

Hourly compensation increased at a 3.6-percent annual rate in the second quarter, compared with a 4.1-percent increase one quarter earlier. Real hourly compensation rose by 0.2 percent in the second quarter of 1995 and by 1.0 percent in the first quarter. Unit labor costs grew by 0.6 percent in the second quarter, a smaller increase than the 1.6 percent of the previous quarter.

Table 1
Productivity and costs: Preliminary second-quarter 1995 measures by seasonally adjusted annual percentage rates

Sector	Productivity	Output	Hours	Hourly compensation	Real hourly compensation	Unit labor costs
	Percent change from preceding quarter					
Business	3.0	0.4	-2.5	3.8	0.4	0.8
Nonfarm business	3.0	0.6	-2.4	3.6	0.2	0.6
Manufacturing	2.1	-3.8	-5.8	0.3	-2.9	-1.8
Durable	0.5	-3.9	-4.4	-2.6	-5.8	-3.1
Nondurable	4.5	-3.7	-7.8	4.8	1.4	0.3
	Percent change from same quarter a year ago					
Business	3.1	4.2	1.1	3.6	0.5	0.4
Nonfarm business	3.1	4.2	1.1	3.6	0.5	0.4
Manufacturing	3.2	3.7	0.5	2.8	-0.3	-0.4
Durable	3.3	5.0	1.6	2.2	-0.8	-1.1
Nondurable	2.8	1.7	-1.0	3.5	0.4	0.6

Note.—Output measures for business and nonfarm business are based on measures of gross domestic product (GDP) prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect independent indexes of industrial production prepared by the Board of Governors of the Federal Reserve System.

Source: U.S. Bureau of Labor Statistics.

Manufacturing

Manufacturing productivity increased in the second quarter of 1995, as both output and hours decreased, with the drop in hours being larger than the drop in output, as illustrated in table 2. This pattern also was true for both the durable and nondurable goods subsectors. Output and hours in manufacturing, which includes about 20 percent of U.S. business-sector employment, tend to vary more from quarter to quarter than in the more aggregate business and nonfarm business sector measures.

Productivity increased by 2.1 percent in manufacturing in the second quarter of 1995 and has now increased in 20 straight quarters. Manufacturing output and hours, however, both fell in the second quarter—3.8 and 5.8 percent, respectively (seasonally adjusted annual rates). The decrease in manufacturing output was the first since the first quarter of 1992. Both the durable goods and the nondurable goods sectors had second-quarter productivity gains. Durable goods productivity advanced by 0.5 percent, with a 3.9-percent decline in output and a 4.4-percent decline in hours worked (table 3). In the nondurable goods sector, productivity increased by 4.5 percent.

Hourly compensation of all manufacturing workers increased by 0.3 percent during the second quarter, a smaller gain than the 4.7-percent increase posted in the first quarter. Real hourly compensation fell by 2.9 percent, compared with a 1.6-percent rise in the previous period.

Unit labor costs fell at a 1.8-percent annual rate in the second quarter of 1995, the seventh decline in the last 10 quarters. Unit labor costs had increased by 1.1 percent during the first quarter.

U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1987 prices—grew at a revised annual rate of 1.1 percent in the second quarter, following an increase of 2.7 percent in the first quarter of 1995. Real GDP increased by 4.1 percent in 1994.

The annualized rate of real GDP growth in the second quarter of 1995 was 1.9 percent in the United Kingdom. The annualized rate of real growth in the first quarter was 0.7 percent in Canada, 3.2 percent in France, 6.0 percent in Italy, and 0.3 percent in Japan. GDP real growth rate in the fourth quarter of 1994 was 3.0 percent in Germany.

Table 2
Manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted at an annual rate

Year and quarter	Productivity	Output	Hours of all persons	Compensation per hour	Real compensation per hour	Unit labor costs
	Percent change from previous quarter					
1993:						
Jan.-Mar	5.4	7.8	2.2	-2.1	-5.0	-7.1
Apr.-June	1.5	2.3	0.8	4.9	1.8	3.3
July-Sept	2.5	3.8	1.2	2.0	0.4	-0.4
Oct.-Dec	4.7	7.4	2.6	2.3	-0.9	-2.3
ANNUAL	3.6	5.0	1.4	2.7	-0.3	-0.8
1994:						
Jan.-Mar	5.4	7.5	2.0	2.4	0.3	-2.8
Apr.-June	4.3	7.2	2.8	-1.8	-4.2	-5.8
July-Sept	3.4	5.7	2.2	2.4	-1.2	-1.0
Oct.-Dec	3.7	8.1	4.2	3.8	1.5	0.1
ANNUAL	4.0	6.4	2.3	1.7	-0.9	-2.3
1995:						
Jan.-Mar	3.5	5.2	1.6	4.7	1.6	1.1
Apr.-June	2.1	-3.8	-5.8	0.3	-2.9	-1.8
	Percent change from corresponding quarter of previous year					
1993:						
Jan.-Mar	3.6	4.9	1.3	3.3	0.1	-0.3
Apr.-June	3.8	4.7	0.9	3.3	0.2	-0.5
July-Sept	3.5	5.0	1.4	2.8	0.0	-0.7
Oct.-Dec	3.5	5.3	1.7	1.7	-1.0	-1.7
ANNUAL	3.6	5.0	1.4	2.7	-0.3	-0.8
1994:						
Jan.-Mar	3.5	5.2	1.6	2.9	0.4	-0.6
Apr.-June	4.2	6.4	2.1	1.2	-1.1	-2.9
July-Sept	4.5	6.9	2.4	1.3	-1.5	-3.0
Oct.-Dec	4.2	7.1	2.8	1.7	-0.9	-2.4
ANNUAL	4.0	6.4	2.3	1.7	-0.9	-2.3
1995:						
Jan.-Mar	3.7	6.5	2.7	2.2	-0.6	-1.4
Apr.-June	3.2	3.7	0.5	2.8	-0.3	-0.4

Source: Bureau of Labor Statistics.

Industrial production

U.S. industrial production gained 0.1 percent in July, following the same increase in June 1995. Manufacturing output decreased by 0.2 percent while the output of utilities increased by 3.6 percent owing to abnormally hot weather. The decline in manufactures was led by a drop of 3.2 percent in the output of motor vehicles and parts. The output of several other industries also decreased significantly whereas gains were recorded in the output of electrical machinery, industrial machinery, and computer equipment. In July 1995 industrial production was 2.6 percent higher than a year ago. Capacity utilization contracted 0.2 percent to 83.4 percent in July 1995 following a decline of 0.3 in June, but was 3.4 percent higher than in July 1994. Capacity utilization in manufacturing fell in July by 0.5 percent to 82.3 percent but was 3.8 percent higher than a year ago.

Other G-7 member countries reported the following growth rates of industrial production. For the year ending June 1995, Japan reported an increase of 3.2 percent, the United Kingdom reported an increase of 1.7 percent, Germany an increase of 0.6 percent, and Italy an increase of 5.0 percent. For the year ending May 1995, Canada reported an increase of 5.3 percent and France an increase of 3.8 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose by 0.2 percent in July 1995, the same as the average monthly increase in the preceding 2 months. For the 12-month period ending July 1995, the CPI-U increased by 2.8 percent.

Table 3
Durable manufacturing sector: Productivity, hourly compensation, and unit labor costs, seasonally adjusted at an annual rate

Year and quarter	Productivity	Output	Hours of all persons	Compensation per hour	Real compensation per hour	Unit labor costs
	Percent change from previous quarter					
1993:						
Jan.-Mar	9.0	11.7	2.5	-4.9	-7.7	-12.7
Apr.-June	3.6	4.1	0.4	4.0	0.9	0.3
July-Sept	2.7	5.4	2.7	1.1	-0.6	-1.5
Oct.-Dec	8.5	12.1	3.3	2.6	-0.7	-5.4
ANNUAL	5.9	7.4	1.5	2.0	-0.9	-3.6
1994:						
Jan.-Mar	5.9	9.5	3.4	2.7	0.5	-3.1
Apr.-June	3.6	7.1	3.4	-3.1	-5.6	-6.5
July-Sept	4.4	7.8	3.3	2.1	-1.5	-2.3
Oct.-Dec	4.1	9.7	5.4	4.5	2.2	0.4
ANNUAL	5.0	8.5	3.3	1.3	-1.2	-3.5
1995:						
Jan.-Mar	4.4	6.8	2.3	5.1	2.0	0.7
Apr-June	0.5	-3.9	-4.4	-2.6	-5.8	-3.1
	Percent change from corresponding quarter of previous year					
1993:						
Jan.-Mar	5.9	7.0	1.0	3.0	-0.2	-2.7
Apr.-June	6.1	7.0	0.9	2.7	-0.4	-3.2
July-Sept	5.7	7.5	1.8	2.0	-0.8	-3.5
Oct.-Dec	5.9	8.3	2.2	0.6	-2.0	-5.0
ANNUAL	5.9	7.4	1.5	2.0	-0.9	-3.6
1994:						
Jan.-Mar	5.2	7.7	2.4	2.6	0.1	-2.5
Apr.-June	5.1	8.5	3.2	0.8	-1.6	-4.2
July-Sept	5.6	9.1	3.3	1.0	-1.8	-4.3
Oct.-Dec	4.5	8.5	3.8	1.5	-1.1	-2.9
ANNUAL	5.0	8.5	3.3	1.3	-1.2	-3.5
1995:						
Jan.-Mar	4.1	7.8	3.6	2.1	-0.8	-2.0
Apr.-June	3.3	5.0	1.6	2.2	-0.8	-1.1

Source: Bureau of Labor Statistics.

During the 1-year period ending July 1995, prices increased by 2.3 percent in Germany, and by 5.6 percent in Italy. During the year ending June 1995, prices increased by 3.5 percent in the United Kingdom, 1.6 percent in France, 2.7 percent in Canada, and 0.3 percent in Japan.

Employment

The Bureau of Labor Statistics reported that the unemployment rate was 5.7 percent in July 1995 and has shown little movement in recent months. The overall weakness in employment reflects a sharp drop in manufacturing jobs that was offset by small gains in a number of the service-producing industries.

Jobless rates by groups showed little or no change in July. These rates were as follows: for adult men (4.7 percent), adult women (5.1 percent), whites (4.8 percent), blacks (11.1 percent), and Hispanics (8.8 percent). In contrast, the rate for teenagers rose to 18.2 percent.

Manufacturing job reduction of 85,000 in July added to losses that now total 188,000 since the industry began shedding jobs in April. Declines were widespread across both durable and nondurable goods industries. Among durables, the largest decline occurred in transportation equipment, motor vehicles, and aircraft manufacturing. Aircraft has lost nearly 40 percent of its employment over the last 5 years. Small job losses continued in July among most other durable goods manufacturers. Among the nondurable goods industries, sizable employment declines continued in apparel, textiles, chemicals, and rubber and plastics. The only manufacturing industry to sustain a trend of job growth was electronics. Construction employment was unchanged in July, after seasonal adjustment. In the service-producing sector, both wholesale and retail trade added jobs over the month. Overall, however, the

pace of job growth in services has slowed in recent months.

In other G-7 countries, unemployment in July 1995 was 9.8 percent in Canada, 9.3 percent in Germany, 8.3 percent in the United Kingdom, 3.2 percent in Japan, 11.5 percent in France, and 12.0 percent in Italy.

Forecasts

Forecasters expect real growth in the United States to average around 2.1 percent (annual rate) in the second quarter of 1995 and then to accelerate to an average of 2.8 percent (annual rate) in the fourth quarter. Factors that may restrain growth in 1995 include the impact of the large inventory overhang, business downsizing, and the contractionary impact of the decline in government spending. Table 4 shows macroeconomic projections by six major forecasters for the U.S. economy from July 1995 to June 1996, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 5.8 percent in the remainder of 1995 and thereafter. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.3 percent in the remaining quarters of 1995. The slowdown in general economic activity during 1995 is expected to keep inflation down and unemployment high.

Table 4
Projected changes of selected U.S. economic indicators, by quarters, July 95 - June 96

(Percent)

Period	Conference Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc. (D.R.I.)	Wharton WEFA Group	Mean of 6 forecasts
				GDP current dollars			
1995:							
July-Sep	7.4	4.4	2.4	4.5	3.8	4.3	4.7
Oct.-Dec.	7.9	5.6	3.4	5.0	3.9	5.1	5.1
1996:							
Jan.-Mar.	7.0	6.1	6.3	5.6	5.9	5.4	6.1
Apr.-June	6.4	5.7	6.5	5.0	5.2	5.2	5.7
				GDP constant (1987) dollars			
1995:							
July-Sep.	4.0	1.8	0.8	1.4	1.6	3.0	2.1
Oct.-Dec.	5.7	2.7	1.8	2.7	1.6	2.6	2.8
1996:							
Jan.-Mar.	3.4	2.9	2.9	3.1	3.1	2.5	3.0
Apr.-June	3.6	2.8	3.1	2.8	2.5	2.7	2.9
				GDP deflator index			
1995:							
July-Sep.	3.3	2.5	1.6	3.1	2.2	1.2	2.3
Oct.-Dec.	2.1	2.8	1.7	2.3	2.3	2.5	2.3
1996:							
Jan.-Mar.	3.5	3.1	3.3	2.4	2.7	2.8	3.0
Apr.-June	2.6	2.8	3.3	2.2	2.6	2.5	2.7
				Unemployment, average rate			
1995:							
July-Sep.	5.5	5.6	6.2	6.0	5.7	5.8	5.8
Oct.-Dec.	5.3	5.6	6.3	6.1	5.8	5.9	5.8
1996:							
Jan.-Mar.	5.2	5.7	6.3	6.0	5.8	5.9	5.8
Apr.-June	5.2	5.8	6.3	5.8	5.9	5.9	5.8

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Date of forecasts: August 1995.

Source: Compiled from data provided by the Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of $64.5 billion and imports of $75.8 billion in June 1995 resulted in a goods and services trade deficit of $11.3 billion, 0.3 billion more than the May deficit. The June 1995 deficit was $2.4 billion more than the deficit registered in June 1994 ($8.9 billion) and was $1.5 billion higher than the average monthly deficit registered during the previous 12 months ($9.8 billion).

The June 1995 trade deficit on goods was $16.4 billion, approximately $0.3 billion higher than the May deficit. The June services surplus was $5.1 billion, slightly higher than the May surplus.

Seasonally adjusted U.S. trade in goods and services in billions of dollars, as reported by the U.S. Department of Commerce, is shown in table 5. Nominal export changes and trade balances for specific major commodity sectors are shown in table 6. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 7, and U.S. trade in services by major category is shown in table 8.

Table 5
U.S. trade in goods and services, seasonally adjusted, May-June 95
(Billion dollars)

Item	Exports		Imports		Trade balance	
	June 95	May 95	June 95	May 95	June 95	May 95
Trade in goods (BOP basis):						
(*Current dollars*):						
Including oil	47.4	48.1	63.8	64.3	-16.4	-16.1
Excluding oil	47.6	48.2	57.8	58.1	-10.2	- 9.9
Trade in services (*Current dollars*)	17.1	17.1	12.0	12.0	5.1	5.1
Trade in goods and services (*Current dollars*)	64.5	65.2	75.8	76.3	-11.3	-11.0
Trade in goods (Census basis) (*1987 dollars*)	46.5	46.9	60.4	59.8	-13.9	-12.9
Advanced-technology products (not seasonally adjusted)	12.0	11.0	10.6	9.8	1.4	1.2

Note.—Data on goods trade are presented on a Balance-of-Payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade but include nonmonetary gold transactions, and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 1995.

Table 6
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1994-June 1995

Sector	Exports: Jan.-June 1995	Exports: June 1995	Change: Jan.-June 1995 over Jan.-June 1994	Change: June 1995 over May 1995	Share of total, Jan.-June 1995	Trade balance Jan.-June 1995
	Billion dollars		*Percent*			*Billion dollars*
ADP equipment & office machinery	16.8	3.1	15.1	14.8	5.8	-11.3
Airplanes	7.8	1.4	-26.4	7.7	2.7	5.9
Airplane parts	5.0	.9	4.2	0	1.7	3.7
Electrical machinery	25.2	4.5	17.8	2.3	8.8	-9.3
General industrial machinery	11.9	2.0	14.4	-4.8	4.1	-0.5
Iron & steel mill products	2.3	.5	27.8	25.0	0.8	-4.4
Inorganic chemicals	2.3	.4	27.8	0	0.8	0.0
Organic chemicals	8.2	1.5	36.7	15.4	2.9	1.4
Power-generating machinery	10.6	1.7	5.0	-15.0	3.7	0.1
Scientific instruments	9.0	1.5	9.8	0	3.1	3.4
Specialized industrial machinery	11.4	2.0	20.0	0	4.0	1.2
Telecommunications	9.0	1.6	21.6	6.7	3.1	-7.1
Textile yarns, fabrics and articles	3.6	.6	16.1	0	1.3	-1.5
Vehicle parts	11.7	1.8	11.4	-14.3	4.1	1.3
Other manufactured goods[1]	15.8	2.7	17.0	-12.9	5.5	-5.7
Manufactured exports not included above	72.0	12.3	13.4	-3.1	25.1	-71.9
Total manufactures	222.6	38.5	12.9	-1.3	77.5	-83.7
Agriculture	26.6	3.9	26.7	-7.1	9.3	11.5
Other exports not included above	38.1	6.8	27.9	1.5	13.2	-3.7
Total exports of goods	287.3	49.2	15.8	-1.4	100.0	-75.9

[1] This is an official U.S. Department of Commerce commodity grouping.

Note.—Because of rounding, figures may not add to the totals shown.

Data are presented on a Census basis.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 1995.

Table 7
U.S. exports and imports of goods with major trading partners, Jan.1994-June 1995
(Billion dollars)

Country/area	Exports June 95	Exports Jan.-June 95	Exports Jan.-June 94	Imports June 95	Imports Jan.-June 95	Imports Jan.-June 94
North America	14.3	86.3	80.2	17.7	103.0	84.3
Canada	10.8	64.7	55.8	12.5	72.9	61.0
Mexico	3.5	21.6	24.5	5.2	30.1	23.4
Western Europe	11.1	67.1	59.0	12.7	71.7	62.3
European Union (EU)	9.7	61.0	53.6	11.5	65.0	57.1
Germany	1.8	10.9	9.4	3.3	17.9	15.1
European Free-Trade Association (EFTA)[1]	1.0	4.3	3.6	1.0	5.4	4.2
Former Soviet Union/ Eastern Europe	0.5	2.6	2.5	0.7	3.9	2.5
Former Soviet Union	0.3	1.7	1.8	0.5	2.9	1.6
Russia	0.3	1.3	1.3	0.5	2.4	1.4
Pacific Rim Countries	15.9	87.3	70.8	24.9	138.0	119.7
Australia	1.0	5.4	4.5	0.3	1.6	1.5
China	1.0	5.6	4.7	4.0	20.1	16.4
Japan	5.6	30.9	25.9	10.9	63.3	56.3
NICs[2]	6.7	36.4	28.1	6.9	37.4	32.7
South/Central America	4.1	24.6	19.2	3.7	20.8	18.1
Argentina	0.3	2.1	2.2	0.2	0.9	0.8
Brazil	1.0	5.9	3.4	0.7	4.3	4.1
OPEC	1.8	9.9	8.8	3.1	17.2	14.3
Total	49.2	287.3	248.1	64.0	363.2	309.4

[1] EFTA includes Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland.
[2] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.
Note.—Country/area figures may not add to the totals shown because of rounding. Exports of certain grains, oilseeds and satellites are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 1995.

Table 8
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1994-June 1995, seasonally adjusted

	Exports Jan.-June 95	Exports Jan.-June 94	Change Jan.-June 95 over Jan.-June 94	Trade balances Jan.-June 95	Trade balances Jan.-June 94
	Billion dollars		Percent	Billion dollars	
Travel	30.1	29.7	1.3	7.7	8.1
Passenger fares	9.0	8.6	4.7	2.4	2.4
Other transportation	13.7	12.5	9.7	-1.3	-1.2
Royalties and license fees	12.2	10.8	13.0	9.3	7.9
Other private services[1]	30.4	29.1	4.5	11.9	11.4
Transfers under U.S. military sales contracts	6.2	5.8	6.9	1.3	0.4
U.S. Govt. miscellaneous services	0.4	0.4	0	-1.0	-0.9
Total	102.1	96.9	5.3	30.3	28.1

[1] "Other private services" consists of transactions with affiliated and unaffiliated foreigners. These transactions include educational, financial, insurance, telecommunications, and such technical services as business, advertising, computer and data processing, and other information services, such as engineering and consulting.
Note.—Services trade data are on a Balance-of-Payments (BOP) basis. Numbers may not add to totals because of seasonal adjustment and rounding.

Source: *U.S. Department of Commerce News (FT 900)*, Aug. 1995.

INTERNATIONAL TRADE DEVELOPMENTS

Action Agenda for APEC Liberalization Under Development

The Asia-Pacific Economic Cooperation (APEC) forum was established in 1989 as an informal consultative grouping to promote regional economic cooperation. The 18 current members of the forum are Australia, Brunei, Canada, China, Chile, Hong Kong, Indonesia, Japan, the Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, the Philippines, Singapore, Taiwan, Thailand, and the United States. In the past few years, as APEC membership grew and its activities expanded, the organization has evolved into an important vehicle for promoting trade liberalization and economic cooperation in the Asia-Pacific region.

The Asia-Pacific is the most dynamic growth region, generating over 52 percent of world GDP in 1994. APEC members accounted for nearly 45 percent of total world trade in 1993, or $3.4 trillion. U.S. exports to all APEC countries totaled $300.3 billion, or 63 percent of total U.S. exports, and U.S. imports from APEC countries totaled $447.4 billion, or 68 percent of total U.S. imports. Although nearly two-thirds of total U.S.-APEC trade was between the United States and Japan, Canada, and Mexico, trade with other APEC member countries is growing.

In Singapore, there is a 25-member APEC Secretariat. The APEC chairmanship rotates annually among the members, and the chair country is responsible for hosting the two annual meetings: the Ministerial Conference of Foreign and Economic Ministers, and the "Leaders' Meeting" of APEC heads of state. Japan will be the host for this year's Ministerial Conference to be held in Osaka, Japan, in November 1995. APEC Senior Officials meet regularly between the Ministerial Conference to implement prior decisions and to make recommendations. With the approval of the Ministers, the Senior Officials also oversee and coordinate the budgets and work programs of the committees and the 10 working groups. The working groups' activities are chiefly trade promotion, trade and investment data, investment and industrial science and technology, human resources development, regional energy cooperation, marine resource conservation, telecommunications, transportation, tourism, and fisheries.

In 1991, APEC agreed on specific objectives of more open trade, greater economic cooperation, investment expansion, and the strengthening of the multilateral trading system. APEC Ministers established a nongovernmental Eminent Persons Group (EPG) in 1992 to develop a vision of trade in the region to the year 2000. The EPG presented its recommendation that APEC adopt a vision of creating a community of Asia-Pacific economies to achieve free and open trade and investment in the region at the 1993 Ministerial Meeting in Seattle. The group was directed to continue its work in 1994 and report back to the Ministers in November 1994.

In late August 1995, the EPG completed its 1995 report, in advance of this year's Ministerial Conference. The EPG recommends that APEC economies halve the phase-in period for tariff cuts and other trade liberalization measures. Essentially this would focus on commitments under the Uruguay Round Agreement. The EPG also recommended an informal, nonbinding dispute mediation process emphasizing conciliation, major changes to the nonbinding investment code proposed last year, and antidumping reform.

At the conclusion of the second APEC heads of state meeting, held November 1994 in Bogor, Indonesia, the heads of state issued a Declaration of Common Resolve, popularly called the Bogor Declaration. The declaration outlined the development of an APEC free-trade area. APEC members have two implementation deadlines, determined by their classification as either a developing or industrialized economy. Industrialized countries are to reach the goal of APEC free trade by 2010, and developing economies have until 2020. The Bogor Declaration also called for the development of an APEC action agenda. The action agenda, to be reviewed at the November 1995 meeting in Osaka, would facilitate the movement toward free trade by 2020. The Bogor Declaration, although nonbinding, is the first regional

specific step aimed at creating free and open trade in the Asia-Pacific region.

The APEC Senior Officials Meeting, held in July 1995 in Sapporo, Japan, included discussions on the details of creating open trade in the Asia-Pacific. Japan had the responsibility of preparing an action agenda for the November meeting because it was the APEC chairman for 1995, and had facilitated the preparation of a draft action agenda by a group of APEC Senior Officials. The draft action agenda for APEC liberalization, released at the Senior Officials Meeting, had three elements: (1) an outline of general principles to guide APEC liberalization; (2) specific liberalization steps; and (3) specific voluntary and joint-action steps of proposed areas for lowering trade barriers.

Key principles include General Agreement on Tariffs and Trade (GATT) and World Trade Organization (WTO) consistency as well as adherence to the multilateral trading system. Also important is a common start date for all APEC member countries and for continuous contributions by all member governments throughout the liberalization process. Comparability whereby offers of trade liberalization will be conditioned after achieving a balance of concessions by all APEC members, and a monitoring facility that facilitates the review of each country's performance, are also key principles under discussion.

Specific areas highlighted for potential action include not only the dismantling of tariffs and nontariff barriers, but also industrial standards and certification procedures, customs rules and procedures, identification of dispute mediation needs, government procurement, competition policy, investment, intellectual property rights, services, rules of origin, human resource development, the environment, energy, and deregulation. For each of the issue areas, the United States is advocating that the action agenda include mid- to long-term objectives, key milestones for achieving the objectives, and concrete steps each member government will take toward reaching those milestones and objectives.

In its initial draft of the action agenda, Japan advocated a "concerted unilateral approach," which would allow countries to move independently toward free trade over the next 25 years and merely coordinate their liberalization steps with other APEC countries. The United States prefers a "collective action" approach, which would centralize the APEC liberalization effort through the establishment of guidelines and a consultation process. The collective action approach is based partly on fears that free riders would gain without making commensurate reciprocal offers. The Japanese Government has rewritten the APEC draft action agenda in an attempt to combine the two approaches. The result allows for collective action, such as the uniform starting date of January 1997 and the list of specific areas for APEC-wide liberalization, and a concerted liberalization approach, which would allow each APEC member country to follow an individual country action agenda. Further discussions will focus on ways to ensure compliance with liberalization plans and balanced benefits among participants, and ways by which APEC members will grant concessions to non-APEC members.

The action agenda will be discussed and reviewed at the Ministerial meeting in November. Upon its acceptance by all APEC member countries, there are several steps that are being considered, although the timing, implementation, and consultation methods of the action agenda are still under discussion. The first step would be the development and presentation of individual country action agendas at the 1996 Ministerial Conference in the Philippines. Next, the process of eliminating barriers and moving toward free trade and investment would begin in January 1997. Consultations and periodic reviews of the individual countries' agendas and the overall action agenda would follow, and a permanent organization would be set up to monitor the liberalization process.

The resolution of several issues may have a crucial bearing on APEC's attainment of the goal of free trade by 2020. First, APEC members have not reached consensus on whether or not benefits of liberalization should be given unconditionally to non-APEC members. The eventual decision concerning most-favored-nation rather than reciprocal liberalization will affect how eager APEC countries will be to liberalize their economies, how acceptable such liberalization will be to domestic interests and other trading partners, and the relative openness of APEC over the next 25 years.

The second issue concerns the size and scope of the activities of the APEC Secretariat. The developed economies want increased institutionalization as APEC moves toward free trade, whereas the developing economies prefer a more informal structure for the Secretariat. Senior APEC officials have been directed to examine current arrangements and functions to determine what new arrangements are needed. Accommodating the preferences of both sets of countries is crucial to the success of the Bogor Declaration. Increased institutionalization could increase APEC's level of decision-making authority and aid in the accomplishment of goals outlined in the Bogor Declaration.

Third, APEC operates by consensus, and its decisions are technically nonbinding. As a result of the domestic agendas and economic concerns of each of the 18 member economies, there is concern about how to ensure that no special delays occur in the forecast 25-year implementation period. Some Asian-Pacific

economies foresee APEC encouraging gradual and voluntary trade liberalization as a continuation of their own substantial liberalization in recent years. Other Asian-Pacific economies argue that APEC liberalization will need more formal elements to keep up any credibility. Sustaining momentum for liberalization will also require examples of solid progress.

Finally, the success of the 1994 meeting in Bogor, Indonesia, was due in part to Indonesia. As the APEC chair for 1994, Indonesia pushed for trade and investment liberalization. Japan, on the other hand, appears to prefer a go-slow approach. Its July proposal essentially postponed agreement on detailed liberalization plans for 1 year. The Japanese proposal leaves each country considerable *a la carte* leeway, suggesting a menu of potential liberalization steps. Moreover, it has recently publicly signaled unwillingness to pursue liberalization in sensitive sectors such as agriculture.

The liberalization schedule is another issue. Malaysia and other member countries of the Association for South East Asian Nations (ASEAN) insist that a framework of multinational technological and economic cooperation should be established in APEC before market liberalization is launched. The renewed effort to develop the East Asia Economic Caucus (EAEC) grouping may be one response to fears of rapid liberalization and dominance by the United States and other non-Asian APEC members. Malaysian Prime Minister Mahathir is pushing the EAEC as an informal grouping of Northeast and Southeast Asian countries. It would exclude the United States, Canada, Latin and South America, and potential new APEC members such as Russia. In the meantime, there is some concern over the different deadlines imposed on developed versus developing countries. For example, the United States may have to open up its markets years before barriers are eliminated in APEC developing economies. Yet many believe the United States will see considerable benefits from an APEC free-trade area because U.S. tariffs are 3 percent on average compared to approximately 40-percent tariff rates in some APEC economies.

A major concern among APEC members is that bilateral issues will interfere with any effort to create a free-trade area through multilateral action and dialogue. If one APEC member country is engaged in a bilateral trade dispute with another APEC member country, then neither country may be willing to grant trade concessions to each other in the context of APEC discussions. The tendency of some APEC member countries to pursue trade conflicts on a bilateral level is of concern to many APEC economies. Countries in Asia appear particularly worried that they will be the next bilateral trade targets of the United States. Perhaps for this reason, the idea of creating a dispute settlement mechanism within APEC is under consideration although the United States maintains that the bilateral route will remain an important mean of addressing U.S. market access goals.

New Zealand in the Trade and Labor Debate

The Trade and Labor Debate in New Zealand

The linkage of trade agreements and labor standards has received increasing attention in recent years, particularly with the coming into force of the North American Agreement on Labor Standards in 1994. Views on the appropriateness of this linkage diverge widely. The New Zealand Government has opposed linking improving trade agreements with labor standards in recent Organization of Economic Cooperation and Development (OECD) forums.

Much discussion has focused on using International Labor Organization (ILO) conventions to provide labor standards that could be linked to international trade opportunities. The ILO conventions that have been identified as "core" include freedom of association, the right to strike, and bans on child, forced, and prison labor. It has been argued that improving labor standards could benefit both the workers and the economy in less developed countries. The OECD effort is part of a broader move to address labor issues in trade benefit programs and trade agreements. (For a fuller discussion, see *IER* August 1995 and *IER* December 1994.)

The Governments of New Zealand and the United Kingdom oppose conditioning access to export markets on labor policies and conditions in the exporting countries. Their position is that this will reduce trade, thereby increasing unemployment and poverty in less developed countries. In addition, the proposed labor standards are believed to be inappropriate and too prescriptive.

The Governments of the United States and France have been the major proponents of linking trade agreements and labor standards. According to these governments, many of the labor conditions in less developed countries are unacceptable and potentially undermine domestic labor conditions. Some countries may maintain low labor standards for political reasons, for example, using labor of political prisoners, and it may be difficult to secure domestic support for trade liberalization if adequate labor standards are not guaranteed.

The Role of the New Zealand Government

The position of the New Zealand Government is influenced by New Zealand's economic problems in the 1980s. In 1984, the New Zealand economy was in disarray: inflation was high, foreign debt was becoming unmanageable, and unemployment was rising. The new administration decided to increase the efficiency of the New Zealand economy by privatizing industries, deregulating, minimizing inflation, and freeing trade by reducing tariffs, quotas, and export subsidies. The same basic course of action has been followed by successive administrations of the New Zealand Government.

A cornerstone of the changes begun in 1984 was to reduce the Government's role in the economy and increase individual choice. Government-owned firms, including the railroads, the Bank of New Zealand, and Air New Zealand, were sold. The Post Office was "corporatized," and is now required to act as if it were a profit-maximizing business. Government was assumed to be an inefficient provider and a producer of last resort. Where possible, government production was replaced either with purchase of goods and services or with policies designed to provide better incentives for businesses and individuals. For example, with respect to occupational health and safety, businesses were given more latitude in choosing specific methods to meet safety requirements and were relieved from some inspections. This policy was associated with an expectation on the part of the government of corporate responsibility in this area.

Fiscal and monetary policies were tightened. Spending was cut both to reduce debt and to reduce the Government role in the economy. The tax system was overhauled to improve incentives. The Reserve Bank of New Zealand was given greater independence and mandated to bring inflation down to 2 percent or less.

Previous administrations had kept unemployment low by hiring workers in state-run firms. Privatizing and corporatizing state-run firms led to massive layoffs. Nevertheless, increasing efficiency was seen as the only government strategy that could permanently reduce unemployment.

New Zealand's goals of reducing unemployment over the long term, maintaining low inflation, and reducing the role of government, contribute to New Zealand's opposition to connecting trade and labor standards. New Zealand's position is that in labor markets flexibility can increase long-run employment, but the proposed labor standards may prevent such flexibility and constitute excessive government intervention. In addition, labor standards may reduce trade, and may increase prices and inflation.

The Role of International Trade in the New Zealand Strategy

Increased trade is important to New Zealand's economic strategy because it encourages greater efficiency, reduces inflationary pressures, and signals a break from its protectionist past. Export opportunities allow New Zealand companies to specialize and achieve economies of scale. To increase trade, New Zealand's tariffs were reduced unilaterally and, in most industries, substantially. Tariffs remained relatively high in some areas such as clothing and carpets. Lower tariffs were expected to reduce the cost of exports, since most used imported inputs, and thereby increase employment in such industries.

Employment Relations in New Zealand: The Employment Contracts Act

In 1991, the Employment Contracts Act radically transformed New Zealand's labor relations. The act is based on the assumption that individual contracts between employers and employees should be the norm and that the government role in labor relations should be limited to providing minimum standards and neutral legal structures that do not favor workers, unions, or firms. The act was designed to promote greater flexibility for both employers and employees. Flexibility would allow higher wages for skilled workers and encourage training. Workers could contract with firms for opportunities to gain skills. Firms could make contracts that reflected their particular circumstances. The reduced influence of unions resulting from the Government's neutral stand would also help prevent wage increases that may increase inflation or unemployment.

Under the Employment Contracts Act, workers can either represent themselves in negotiations with management or ask any individual or organization to represent them, although unions were not specifically mentioned. Workers cannot be required to use a representative. Management is required to negotiate with either individual workers or, if management chooses, with the workers' representative(s). Workers may strike, including in order to secure recognition of their designated representative, but not for multi-employer bargaining.

The Employment Contracts Act was the Government's latest step in a move away from the tripartite union-employer-government structure that was an essential feature through the 1980s. For example, in 1985, tripartite discussions began the wage round of contract negotiations.

ILO Conventions

Most New Zealand unions oppose the Employment Contracts Act, and they brought their concerns to the ILO. Since the ILO advocates legislation to promote unions and the use of tripartite structures, and the act is neutral towards unions and reflects opposition to a tripartite structure, the relationship between the New Zealand Government and the ILO has been strained. The ILO has publicly criticized the act, because unions are not allowed to strike for multi-employer bargaining.

The core standards that have been identified include freedom of association and the right to strike (including for multi-employer contracts). New Zealand never ratified these conventions; however, in many ways the Employment Contracts Act conflicts less with these conventions than some earlier New Zealand labor laws. Until December 1983, workers were required to join the union that organized their specific industry. The act allows individuals to choose whether or not to join a union and which union to join.

Other Proposed Core Labor Standards

In other areas, the New Zealand Government sees the problems of connecting trade with labor standards as an indirect threat to their economic policies of increased trade and labor flexibility as methods of reducing unemployment. The New Zealand Government also fears that this will be used by some developed countries to reduce competition from developing countries.

The ILO convention calls for all countries to ultimately ban child labor. Some have claimed that less developed countries could benefit from a ban on child labor because this would allow children to receive an education. The New Zealand Government position is that only the domestic government can provide universal educational opportunities to youth. Therefore, it should decide if it will require children to attend school or ban child labor. If the international community prevents child labor, New Zealand notes, it still does not provide educational opportunities. Requiring the elimination of child labor is also contrary to one of the basic goals of the New Zealand Government of reducing government intervention.

The ILO convention banning forced labor and prison labor is also seen by New Zealand as inappropriate. New Zealand opposes forced labor. Prison labor, however, is a less clear-cut issue. Some countries may exploit prison labor: for example, there are many reports of this in China. Others countries see prison labor as an appropriate part of rehabilitation. There has been a growing acceptance of commercial use of prison labor in the United States. In Oregon, for example, prisoners make Prison Blues Clothing that is sold both at home and abroad. Prison officials say this work helps in rehabilitation. There is evidence that working may help some prisoners.

Conclusion

The New Zealand Government sees its economy as benefiting from free trade and policies that increase labor flexibility. Requiring adherence to ILO labor standards as a condition for increased trade may, it fears, reduce other nations' ability to use labor and trade growth flexibly to obtain similar benefits. If the international community is determined to link labor standards to increases in trade, the Government of New Zealand considers the proposed ILO convention to be inappropriate. According to the New Zealand Government, the ILO conventions may be violated in those countries that have reasonable labor standards, but do not technically meet the conventions. The conventions could force countries to have labor standards, such as the right to bargain on a multi-firm basis, that in New Zealand's view increase unemployment.

The New Zealand Government opposes the U.S. move to require labor standards in trade agreements. The New Zealand position is that attaching labor standards to trade will reduce trade, slow down improvements in employment conditions, and increase unemployment. According to this view, increasing trade is the best way to improve the position of workers and the unemployed.

U.S.-Korean Settlement of Disputes on Meat and Steel Trade

Before President Kim Young Sam's recent visit to Washington, DC, the United States and Korea had reached agreement on two bilateral disputes. The agreements ended a section 301 case on meat products and headed off a potential 301 investigation of Korea's steel industry practices. The meat pact paves the way for increased U.S. exports of beef and pork products to Korea, and the steel agreement is designed to increase transparency in the Korean steel industry.

Beef and Pork Agreement

On July 20, 1995, the United States and Korea reached an agreement designed to increase market access in Korea for U.S. meat and other food products.

The dispute centered on the Korean-government-mandated standards for shelf life. Under the agreement, Korea will phase out its current system and manufacturers will be allowed to set their own "use by" standards for product shelf life. The agreement also addresses U.S. meat industry concerns about Korea's tendering procedures. Korea is the 4th-largest export market for U.S. agricultural products and the 3rd-largest market for beef. The U.S. meat industry estimates that the agreement will immediately open up a potential $230 million in additional sales to Korea and as much as $1 billion more in exports by 1999.

The agreement stems from a section 301 investigation initiated in November 1994 by the Office of the United States Trade Representative (USTR) on Korean treatment of imported beef and pork. The investigation was the latest in a series of bilateral disputes that date back to 1988 and center on foreign access to Korea's market for imported meat. Since that time, the United States has held numerous bilateral negotiations—and reached three separate market access agreements—designed to expand foreign access for beef and pork products in Korea. Prior to February 1994, Korean Customs classified imported sausages as qualifying for a 90-day shelf life. In February 1994, however, Korean Customs seized a shipment of U.S. sausages and announced that the product had been incorrectly classified. Under the "correct" classification, Korea said, the sausages would qualify for only a 30-day shelf life, about the time required to ship the product to Korea and clear customs. After the U.S. meat industry filed a section 301 petition with USTR in November 1994, Korea reversed itself on this issue.

The petition, filed by the National Pork Producers Council, the American Meat Institute, and the National Cattlemen's Association, alleged that Korea used outdated, scientifically unsupported, and discriminatory shelf life standards, excessively long inspection procedures, and contract-tendering procedures and other factors that prevented U.S. producers from meaningfully participating in the Korean market. In its investigation, USTR found that Korea's shelf-life standards were applied in an arbitrary and discriminatory manner and were not supported by scientific findings. The member countries of the European Union (EU) and Asia-Pacific Economic Cooperation (APEC) forum, USTR noted, relied on "use by" dates set by meat manufacturers to ensure food quality and safety.

Under the July agreement, Korea will phase out setting shelf-life periods by government regulation and instead allow manufacturers to set their own "use by" dates, following the practice in most other countries. Manufacturer's "use by" dates will go into effect on July 1, 1996, for vacuum-packed chilled pork and beef, frozen meat (including beef, pork, and poultry), and other frozen food. Between October 1, 1995 and June 30, 1996, the Government of Korea will specify shelf-life as follows: vacuum-packed chilled meat, 90 days for beef and 45 days for pork; frozen meat, 3 months for sausages and minced meat, 9 months for pork and poultry, and 12 months for beef; and for other frozen food, 9 months. Manufacturer's "use by" dates will go into effect on October 1, 1995, for all dried, packaged, canned, or bottled products other than those specified above.

In addition to shelf-life requirements, the agreement covered Korean tendering procedures and residue tolerances. Although the Korean Government had agreed to provide 1-week notice when tendering for pork purchases, in practice the notices were reportedly published 1 or 2 days in advance. In the July agreement, the Government of Korea agreed to provide at least 7 days advance notice before offering a tender for the purchase of pork and to provide at least 30 days for arrival of the product to meet the contract. The agreement only allowed shorter tender and arrival periods in cases of "large-scale supply disruption" caused by natural disaster. Regarding residue testing, the U.S. meat industry maintained that Korea imposed onerous testing requirements on imported meat and not on domestic meat. In the July agreement, Korea agreed to maintain residue tolerances consistent with international standards.

Steel Agreement

On July 14, 1995, USTR Mickey Kantor announced that the United States and Korea reached an agreement on steel trade, heading off a section 301 investigation of Korean steel industry practices. The two sides agreed to establish a bilateral consultative mechanism to discuss "key economic trends" and data concerning steel sheet and pipe and tube products. In addition, the Government of Korea will notify the United States before introducing measures to control steel production, pricing, or exports. The Korean Government is also to "make certain the Korean steel industry fully understands that the government no longer interferes in pricing or production."

On June 1, 1995, the Committee on Pipe and Tube Imports filed a section 301 petition alleging that the Government of Korea restricts exports of steel sheet and pipe and tube, and that it controls prices of steel sheet. In particular, CPTI alleged that the Korean Government maintained the export and price controls on steel sheet produced by Pohang Iron and Steel (POSCO). POSCO was founded by the Government of Korea, which still maintains partial ownership of the firm. The CPTI alleged that the Government of Korea

keeps steel prices artificially stable and imposes limits on Korean steel exports. CPTI stated that "the Korean government's interference with market forces has thus given Korean pipe and tube manufacturers an unfair advantage over U.S. competitors."

In announcing the agreement, USTR Kantor said that "We think that increased transparency in the Korean steel industry will be helpful to us in examining some of the concerns raised by U.S. pipe and tube producers." The consultative mechanism will meet periodically over a 1-year period, and may be renewed by mutual decision by both governments.

USITC *The Year In Trade 1994*

The U.S. International Trade Commission (USITC) recently released its annual *The Year In Trade: Operation of the Trade Agreements Program* report, which provides a comprehensive review of U.S. trade-related activities, including major multilateral, regional, and bilateral developments in 1994. This report is the 46th issue in the series and is a useful reference for government officials and others with an interest in U.S. trade relations.

The Year in Trade 1994 highlights U.S. implementation of the Uruguay Round Agreements, including a practical guide to changes in U.S. international trade laws required to conform to the agreements. The laws examined in the report include U.S. antidumping and countervailing duty laws, section 201 of the Trade Act of 1974 (safeguards), and section 337 of the Tariff Act of 1930 (intellectual property right infringement). The report also describes progress on the establishment of the World Trade Organization (WTO) and reviews continuing negotiations in services.

Three important regional trade developments took place in 1994: the North American Free Trade Agreement (NAFTA) completed its first year of operation, the meeting of Asia-Pacific Economic Cooperation (APEC) leaders led to a call for a regionwide free-trade area, and a historic Summit of the Americas took place. On January 1, 1994, NAFTA entered into force. *The Year in Trade* describes the numerous technical issues that arose related to startup operations, including implementation of NAFTA commitments, creation of dispute settlement mechanisms, and the establishment of NAFTA-related institutions and working groups. The status of supplemental agreements on the environment and labor, as well as the potential expansion of NAFTA to other countries is also discussed. A separate section of the report reviews Mexico's trade and investment trends during the NAFTA inaugural year.

Also during the year, members of APEC set a long-term goal of achieving free and open trade and investment in the Asia-Pacific region by the year 2020. *The Year in Trade* describes this agreement in detail as well as APEC trade and investment-related work program during 1994. The report also discusses the historic Miami Summit of Western Hemispheric leaders, hosted by the United States in December 1994, where participants called for the creation of a free-trade area of the Americas (FTAA) by 2005.

In addition to covering multilateral and regional trade developments, *The Year in Trade* reviews bilateral trade issues with major U.S. trading partners during 1994. New concerns emerged and old ones continued, but a number of trade disputes were resolved. Particularly noteworthy were four sectoral agreements reached with Japan under the Framework Agreement, committing Japan to open its markets in insurance, flat glass, and, in the area of government procurement, telecommunications equipment and services, and medical equipment and services. Other accomplishments discussed in the report included a new agreement controlling U.S. imports of Chinese textiles and apparel, an agreement with Canada that sharply reduced wheat shipments to the U.S. market for a period of 1 year, and an interim accord granting compensation to the United States for enlargement of the European Union (EU). Additional developments reducing trade frictions included a temporary resolution to the longstanding U.S.-Canadian lumber dispute, President Clinton's decision to delink the issue of China's human rights record from the annual renewal of its most-favored-nation trade status, and the completion of a series of talks between the United States and Korea designed to strengthen bilateral economic cooperation.

Other areas of disagreement were not resolved. The level of protection of intellectual property rights was an issue with Taiwan, Korea, and China. In the area of agriculture, the United States Trade Representative (USTR) launched section 301 investigations of the EU banana import regime and Korea's market access practices regarding the importation of U.S. beef and pork. Other unresolved issues addressed in *The Year in Trade* involved efforts to open Japan's market to U.S. automobiles and auto parts and to open Korea's market to imported automobiles. Market access issues also remained a major sticking point in negotiations to conclude both the accessions of China and of Taiwan to the General Agreement on Tariffs and Trade (GATT) in time to become founding members of the WTO on January 1, 1995.

Annually, *The Year in Trade* provides updates on the operation of such programs as the Caribbean Basin

Economic Recovery Act, the Andean Trade Preference Act, the Generalized System of Preferences, the Arrangement Regarding International Trade in Textiles (known as the Multifiber Arrangement), and the Bilateral Investment Treaty program. It also includes complete listings of antidumping, countervailing duty, intellectual property right infringement, and section 301 cases undertaken by the U.S. Government for the calendar year.

Copies of *The Year in Trade 1994* (USITC publication 2894) are available for purchase from the U.S. Government Printing Office. To order, indicate stock number 049-000-00076-6 and send your check for $15.00 ($18.75 foreign) or provide your VISA or MasterCard number and expiration date to: Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954 (FAX to 202-512-2250). Telephone orders may be placed with the Superintendent of Documents by dialing 202-512-1800. The report will also be available on the Department of Commerce's National Trade Data Bank (September 1995 edition), at Federal depository libraries in the United States, and on the ITC Internet server at *http://www.usitc.gov* or *ftp://ftp.usitc.gov.*

SPECIAL FOCUS

Timeline of Uruguay Round Commitments

As trade has grown more important, involving more countries as well as more products, multilateral trade negotiations have also grown in complexity and have taken longer to complete. Since the General Agreement of Tariffs and Trade (GATT) went into effect in 1948, eight rounds of trade negotiations have been held under the umbrella of this multilateral commercial treaty with the aim of liberalizing world trade and stimulating growth. The most recently concluded Uruguay Round lasted from September 1986 to December 1993.

The staging of tariff reductions and other economic commitments can often take a span of time equal to that needed to negotiate the agreement. Whereas the Uruguay Round Agreements (URA) took over 7 years to negotiate, its implementation period spans another 7 years (for developed countries), from 1995 to 2002, and is expanded to 10 years for developing and least developed countries, or until 2005. Although obscured by an extended undertaking requiring 17 years to achieve both negotiation and full implementation, the URA nonetheless improves significantly on past trade negotiations.

Increased Coverage Under the URA

A prime, overarching feature of this success is the broad and increased coverage achieved under the URA: more participating countries, more products traded internationally, and a new, grander arrangement of these countries and products under the multilateral trade system umbrella. First, in terms of countries involved, the members have multiplied since the start of the Uruguay Round in September 1986, when there were already 92 GATT Contracting Parties (CPs), whose trade together was roughly four-fifths of the trade of the whole world. By the signing of the *Final Act* in April 1994 at the Marrakesh ministerial conference, there were 123 Contracting Parties whose signatures indicated an intention to ratify the URA and to become members of the World Trade Organization (WTO). The WTO will be the successor body to the GATT Secretariat, to oversee administration of GATT rules and disciplines as modified and set out in the URA. The ever-rising number of countries seeking to join the multilateral trade system governed under GATT/WTO rules—10 new members joined in 1993 and 14 more new members joined in 1994—means that virtually all trading countries of the world will soon be following the same trade rules.

Second, in terms of product coverage, the URA far surpassed expectations in bringing both traditional sectors such as agriculture—that had heretofore escaped effective discipline—and new economic areas such as services and intellectual property, under multilateral trade rules. Previous trade negotiations dealt primarily with lowering tariff barriers to trade in goods, primarily trade of industrial goods because of various exceptions involving trade of primary products such as agriculture products. Negotiators had failed to extend multilateral trade rules to agriculture until this long-sought achievement of all agricultural tariffs being bound under the URA. Moreover, inclusion of the rapidly growing segments of the world economy represented by services and intellectual property rights is a major advance over previous trade negotiations and marks an effort to revitalize the GATT multilateral trade system that had been increasingly viewed as outpaced by the world economy.

Third, in terms of institutional structure, the URA finally achieved the GATT intention of nearly 50 years ago—an international trade body with overall responsibility for regulating world trade. Although the 1947 GATT system succeeded in reducing tariffs over the years, it did not keep nontariff barriers from becoming more burdensome. Initial efforts taken in the Tokyo Round to negotiate voluntary "codes of conduct"[1] to reduce these barriers—barriers such as quantitative restrictions or technical and administrative regulations—did not succeed at all. With as few as 12 signatories applying some codes, ranging up to 40 signatories applying other codes, this nonconformity reinforced the view that the GATT trade system was an ineffective "patchwork" of rules that applied to some Contracting Parties and not to others. Exemptions,

[1] These 1979 Tokyo Round agreements covered nontariff barriers involving: (1) antidumping practices; (2) subsidies; (3) technical barriers to trade, also known as standards; (4) customs valuation; (5) import licensing; (6) trade in dairy products; (7) trade in bovine meat; (8) trade in civil aircraft; and (9) government procurement.

waivers, "grandfathered" clauses, and similar exceptions added to the sense that the rules applied differently to different CPs.[2]

The WTO that entered into force January 1, 1995, was created to carry out the URA and is keyed in large part to members' dissatisfaction with the piecemeal approach under GATT 1947, where some CPs were increasingly seen as benefiting from a system working to expand world trade but without accepting many of the disciplines necessary to support it. The unparalleled success of the URA rests on the fact that virtually every agreement concluded will apply to all WTO members,[3] which is thought will largely resolve the previous "free rider" problem. Equally important to applying all rules to all members is that a single entity will be in a position to apply the rules governing the multilateral trade system on a consistent basis. The integrated system will help promote consistency regarding world trade rules both within and between such different areas as trade in goods, services, and intellectual property.

Market Access and Other Agreement Deadlines

The fundamental focus of trade negotiations lies in the liberalization of international trade through the reduction of tariff barriers, as well as other forms of trade barriers such as quantitative or technical restrictions on trade, dubbed nontariff barriers. The combined reduction in these two classes of barriers has come to be known in the Uruguay Round as a participant's "market-access commitment" because negotiators offer to commit their country to provide access to its markets for certain goods and services in exchange for market-access concessions from other participants regarding either similar or different items.

Once agreed, each country writes down in its national "schedule" of market-access commitments, what barriers it agreed to reduce and by what dates, thus the meaning of the word "schedule." The results of the Uruguay Round market-access negotiations for the United States, for example, are written down in GATT schedule XX; those for a country like Australia in GATT schedule I or like Japan in GATT schedule XXXVIII. These market-access commitments are then gathered together and collectively incorporated into the URA under the Marrakesh Protocol to the General Agreement on Tariffs and Trade 1994.

Each of these national schedules conforms to the overall framework of liberalization scheduled by the URA and provides a useful point of reference. The framework also provides a global context to U.S. efforts to sponsor Uruguay Round free trade results in key regions, such as North America with participants in NAFTA, Europe with the possibility of a Trans-Atlantic Free-Trade Area (TAFTA) with European trading partners, or Asia and the Pacific Rim with the Asia-Pacific Economic Cooperation (APEC) forum. The following discussion first explains the timetable for liberalization in key Uruguay Round areas, and then provides an integrated picture of the staging of commitments in all elements of the Uruguay Round.

Market Access

Tariff elimination for select industrial products

Under offers for reciprocal elimination of duties ("zero-for-zero" initiatives), tariffs on these goods start to be phased out beginning January 1, 1995. The sectors involved are—

- Agricultural, construction, and medical equipment;
- Beer;
- Brown spirits;
- Furniture;
- Paper and paper products;
- Pharmaceuticals;
- Steel; and
- Toys

Duties levied on pharmaceuticals among the "quadrilateral" or "quad" countries—Canada, the European Union (EU), Japan, and the United States—were eliminated at the start of 1995. Other sectors—such as agricultural, construction, and medical equipment; brown spirits; and furniture—will have their tariffs phased out over 5 years. Yet other sectors—such as toys and steel—will have their tariffs phased out over 10 years.

As part of these offers, tariff reductions and some eliminations were agreed for electronics in

[2] For example, "special and differential" treatment afforded to developing country CPs allowed for less stringent enforcement of balance-of-payments rules when taken for economic development purposes; the open-ended U.S. waiver since 1955 that allowed agricultural import restrictions under section 22 of the 1933 Agricultural Adjustment Act; or virtually all GATT members' application of the General Agreement through a "provisional protocol of application" because of "grandfathered" clauses where legislation pre-dating the 1947 GATT was allowed to be retained by a CP even if the legislation conflicted with GATT provisions.

[3] Only four of the Tokyo Round codes will be carried over into the WTO "multilateral" trade system as limited-membership (dubbed "plurilateral") agreements: Agreement on Trade in Civil Aircraft, Agreement on Government Procurement, International Dairy Agreement, and International Bovine Meat Agreement.

semiconductors products, semiconductor manufacturing equipment, and computer parts. Lastly, the Chemical Tariff Harmonization Agreement concluded under these negotiations will reduce tariffs among most developed countries[4] for certain chemicals that are above 25 percent to 6.5 percent over 15 years; that are between 10 to 25 percent to 5.5 percent over 5 years; and to submit to further negotiation tariffs for these chemicals that are between 0 and 5 percent.

Tariff Reductions for Industrial Products

In their November 1994 overview of the market-access results for goods and services arising out of the Uruguay Round, the GATT calculated an overall average tariff reduction by developed countries of 40 percent to be made in five equal rate reductions. The annual tariff cut will be 8 percent, beginning with the entry into force of the WTO on January 1, 1995, and concluding with the cuts on January 1, 1999. No comparable figure for developing countries was broken down.

Removal of restrictions on textile products

The Agreement on Textiles and Clothing aims to liberalize the textiles and apparel trade through the progressive dismantlement of bilateral restraint agreements applied to textile exports as part of the Multifiber Arrangement. The agreement aims to remove the quantitative restrictions placed on world textile trade in stages over a 10-year implementation period, including the expansion of remaining quotas during the process. Liberalization of textile and apparel trade will be phased in over this transition period in four stages: stage 1 began in 1995, stage 2 will begin in 1998, stage 3 in 2002 and, finally in 2005, any remaining restrictions.

In stage 1, each member will remove 16 percent of its 1990 import volume of textile and apparel products from bilateral quota rules governing its trade to multilateral rules exclusively under the GATT/WTO. At the same time, the remaining quota was expanded by 16 percent to expand textile trade.

At stage 2, 17 percent of the remaining textile products under quota will be removed from rules governing their bilateral quota and again put under multilateral rules. At this time, the remaining quota will again be expanded, this time by 25 percent. At stage 3, 18 percent of items under quota will be integrated into the multilateral rules under the GATT/WTO and the remaining quota will be expanded 27 percent.

Finally, at the end of stage 3, the 49 percent of textile and apparel products remaining under quota will be removed from bilateral restrictions and placed under multilateral rules under the GATT/WTO. The Council on Trade in Goods will review the operation of the agreement at the conclusion of each stage.

Agriculture

Tariff and subsidy reductions in agriculture

The Agreement on Agriculture is based on a number of benchmarks and timetables, although these are largely incorporated into the commitments made in individual members' schedules. Under the Agriculture Agreement, reductions by developed countries will take place in equal installments over 6 years, beginning in 1995; for developing countries, reductions may take place over 10 years. Negotiations on continuing the reform process in agriculture are to begin the year before the end of the 6-year implementation period, that is, by 1999.

Domestic support commitments. Domestic support payments to farmers for their production, given as part of commodity support regimes, are to be reduced as part of the URA. Domestic support by developed countries is to be reduced overall by 20 percent below 1986-88 (the average of 1986, 1987, 1988) benchmark levels, beginning in 1995 and ending in 2000. Developing countries are to reduce their domestic support overall by 13 percent, starting in 1995 and ending in 2004. These figures yield equal annual reductions in domestic support of 3.3 and 1.3 percent, respectively.

Export subsidy commitments. Export subsidies are to be reduced both on a budgetary and on a quantity basis. Developed countries agreed in general to reduce their budget outlays for export subsidies by 36 percent from 1986-90 (the average of 1986, 1987, 1988, 1989, 1990) base levels,[5] and to reduce export subsidies awarded on a commodity basis by 21 percent. Developing countries agreed to reduce their export subsidies by two-thirds of developed country commitments, yielding 24-percent reduction on a budget basis and 14 percent on a commodity basis. Annually, developed countries will thus cut export subsidies by 6 and 3.5 percent respectively, while developing countries will cut their export subsidies by 2.4 and 1.4 percent.

[4] Member countries of the Organization for Economic Co-operation and Development (OECD).

[5] An alternative base level is allowed under certain circumstances.

Import tariff reductions. The situation involving tariffs on agricultural imports changed substantially as a result of the URA. First, since roughly one-third of all border measures affecting agricultural imports before the Uruguay Round were nontariff measures, the URA converted these to tariff measures (known as "tariffication").[6] Minimum market-access commitments (explained below) are also included in this process. Second, all agricultural tariffs were then bound in their national schedules. Finally, these tariffs are to be reduced 36 percent over a period of 6 years by developed countries and reduced 24 percent in 10 years by developing ones.

Thus, starting in 1995 and ending in 2000, developed countries will lower agricultural tariffs 6 percent each year while developing countries lower theirs by 2.4 percent. Developing countries will continue to reduce their tariffs by 2.4 percent through 2004. Different crop years as well as differences between Northern and Southern Hemispheres make generalizations about the timing of such cuts within a calendar year difficult; crop years in the Northern Hemisphere for temperate climate production such as grains often operate from mid-year such as those on a July-June basis.

Current and minimum agricultural access. Where little or no access existed for agricultural imports, the URA stipulated that minimum access for imports be maintained at present levels. If no access existed, for example, because of rice import bans in Japan and Korea, a minimum of 3 percent of 1986-88 domestic consumption went into effect in 1995, rising to 5 percent by the year 2000 (6-year implementation period) for developed countries or 2004 for developing countries (10-year implementation). Thus, minimum access for foreign agricultural imports is to expand annually by 0.33 percent for developed countries, and by 0.20 percent for developing countries, from a base of 3 percent of domestic consumption.

Sanitary and Phytosanitary Measures

The Committee on Sanitary and Phytosanitary Measures (SPS) will review the operation of SPS Agreement, 3 years after the entry into force of the WTO, that is in 1998, and thereafter as needed. Developing-country members, and least developed ones in particular, will be accorded consideration for special and differential treatment upon request in the preparation of sanitary and phytosanitary measures, such as for specified, time-limited exceptions from obligations under the agreement. No specific timetable for such exemptions is mentioned in the agreement.

Technical Barriers

The Committee on Technical Barriers to Trade (TBT) will review the operation of TBT Agreement every 3 years, starting in 1998. There are provisions in the TBT Agreement to accord developing country members special and differential treatment in formulating and implementing standards and technical regulations and conformity assessment procedures, although no specific exemptions or longer timeframes for implementation are mentioned in the agreement.

Investment

WTO members had until the end of March 1995 to notify the Council on Trade in Goods of trade-related investment measures (TRIMs) that were inconsistent with the WTO. Developed countries have 2 years following the entry into force of the WTO to phase out these measures; developing countries have 5 years and least developed countries have 7 years. The Goods Council will review the TRIMs Agreement within 5 years of the start of the WTO (by 2000).

Antidumping

Although the Antidumping Agreement[7] signed as part of the URA is largely procedural, committing WTO members to follow common rules when investigating sales at less than normal value, the agreement does call for outstanding antidumping (and countervailing) duty orders to be revoked after 5 years unless a review initiated by the competent authorities before that date determines that revocation would lead to industry injury through a continuation or recurrence of dumping (or subsidization). As a key player in this regard, the United States has said it intends to initiate reviews of its outstanding orders—each to be completed within 18 months—beginning over a 3-year period, starting 18 months before and ending 18 months after the 5-year mark that falls on January 1, 2000. The standard of review for antidumping disputes will be reviewed 3 years after the agreement comes into effect, to consider its more general application. The general application of this review standard to both antidumping and countervailing duty cases.

[6] Most of these newly converted tariffs are specific rather than ad valorem duties.

[7] Formally, the Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994.

Customs

The Agreement on Customs Valuation contains a provision that allows developing countries to delay application of the new code for up to 5 years.

Preshipment Inspection

A review of the Agreement on Preshipment Inspection is to be held 2 years after the entry into force of the WTO, and at 3-year intervals after that.

Rules of Origin

The Agreement on Rules of Origin establishes a 3-year work program to harmonize nonpreferential rules of origin applied under the WTO. A Technical Committee, established to carry out sequential parts of this program, will report to the Rules Committee created under the agreement.

Subsidies

The Agreement on Subsidies and Countervailing Measures sets out definitions for several categories of subsidies—prohibited, permitted but actionable, and nonactionable—including some that did not exist previously under multilateral rules. U.S. implementing legislation for the nonactionable subsidy category, for example, provides for initial U.S. compliance concerning this category through the end of 1999. The Subsidies Committee will review the operation of the agreement concerning research and development (R&D) subsidies, one type of subsidy in this nonactionable category, by June 30, 1996. The committee will also review the operation of the agreement concerning the definition of "serious prejudice," nonactionable subsidies, and consultations and authorized remedies, no later than 180 days before the 5-year agreement lapses in June 1999.

With the exception of export subsidies under the Agriculture Agreement, developing country members have 8 years after the WTO enters into force to eliminate prohibited export subsidies contingent on export performance and have 5 years to eliminate those based on the use of domestic over imported goods. Least developed country members need not eliminate their export subsidies in the former category and have until 8 years to eliminate those in the latter category.

Safeguards

The Agreement on Safeguards under GATT 1994 adopts a number of rules and criteria for imposing safeguards restrictions that were not specified under article XIX of GATT 1947. This specific guidance is aimed at correcting the past practice of circumventing the need for taking safeguards action under article XIX by the use of voluntary restraint agreements or similar "grey-area" measures, so-called because they took place beyond the scope of multilateral rules under the GATT. All such grey-area measures, as part of the Safeguards Agreement, are to be eliminated by the end of 1998 (within 3 years of the entry into force of the WTO). However, each WTO signatory may retain a single exception that can last through the end of 1999, an exemption created primarily to cover the EU-Japan automobile agreement that is set to expire December 31, 1999.

Services

Although a framework agreement under the General Agreement on Trade in Services (GATS) was concluded in 1993 as part of the URA, negotiations continue on a number of specific service sectors: financial services, movement of natural persons, basic telecommunications, and maritime transport services. Negotiations concerning financial services and movement of natural persons (covering the cross-border entry of service personnel) formally concluded in June 1995, after which most participants agreed to an interim financial services agreement that would begin August 1, 1996, and would last through December 31, 1997.[8] Negotiators on basic telecommunications are to make a final report by April 30, 1996, and negotiators on maritime transport services are to report "no later than June 1996." The Council for Trade in Services is to review the operation of the Annex on Air Transport Services every 5 years, with the first renewal occurring by the beginning of 2000.

Multilateral negotiations are to begin by 1997 (within 2 years of the WTO entry into force) to clarify exceptions in the GATS on MFN treatment, national treatment, and market access involving government procurement of services. The Committee on Trade and Environment is to report to the first biennial meeting of the WTO Ministerial Conference at the end of 1996 any recommendations concerning trade in services and its relation to the environment, particularly as might

[8] At the conclusion of financial services negotiations in June 1995, the United States announced it would retain its exemption from obligations to provide access to its financial services markets on a most-favored-nation (MFN) basis. Following deliberation until July 28, 1995 of the offers outstanding at the end of June, participants agreed to an interim agreement on financial services that would begin August 1, 1996 and end December 31, 1997. All participants would provide access on an MFN-basis to their financial services markets according to their end-of-June market-access offers except the United States which would not be required to provide MFN treatment to future investments made in the United States in the financial services sector.

affect sustainable development. Negotiations over safeguards provisions for the GATS to protect against surges in services imports are to take place over the 3 years from the entry into force of the WTO until the end of 1997. Renewed negotiations on trade in services are to start every 5 years, beginning in the year 2000.

Intellectual Property

Provisions of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) must be applied by developed countries by 1996 (1 year after the entry into force of the WTO). Developing countries have until 5 years after (by 2000) and least developed countries have until 10 years after (by 2006). The TRIPS Council will review the agreement 5 years after the entry into force of the WTO, and at 2-year intervals after that. The Council will hold its first review of the TRIPS Agreement and the need for additional negotiations on further protection for geographical indications for wines and spirits within 2 years, that is, by 1997.

Dispute Settlement

A WTO Ministerial Conference will hold a full review of dispute settlement rules and procedures under the WTO within 4 years of the entry into force of the WTO, that is, by 1999.

GATT 1994

Within 5 years of the WTO entry into force, the Ministerial Conference is to review provisions "grandfathered" under the GATT 1994, and every 2 years thereafter. These provisions exempt from GATT obligations measures taken based on maritime legislation that preceded GATT 1947 concerning foreign-vessel cabotage in national waters. This stipulation effectively amounts to a regular review of the U.S. Jones Act exemption, the only provision grandfathered under GATT 1994.

Trade and Environment

The Committee on Trade and Environment was created at the first meeting of the General Council of the WTO in 1995. The work and terms of reference of the committee will be reviewed at the first biennial meeting of the Ministerial Conference, to be held in Singapore in December 1996.

Procurement

The Agreement on Government Procurement 1996 begins on January 1, 1996. It takes effect for Korea on January 1, 1997.

The following chart provides an integrated timeline for Uruguay Round implementation.

1995
Market Access

Tariffs

5.0% Industrial goods tariff cut
Equipment, furniture, and spirits zero/zero begin
Steel and toys zero/zero begin
Market-access schedules due for least developed countries (April 15)

Textiles

16% of 1990 import volume of textile and apparel products covered under the Textile Agreement placed under multilateral GATT/WTO rules;
16% remaining bilateral textile quotas expanded by 16%

Agriculture

Developed countries

3.3% reduction domestic agricultural support begins
6.0% agricultural export subsidy reduction (budget basis) begins
3.5% agricultural export subsidy reduction (commodity basis) begins
6.0% agricultural tariff reduction begins
3.0% minimum access for agricultural imports established

Developing countries

1.3% reduction domestic agricultural support begins
2.4% agricultural export subsidy reduction (budget basis) begins
1.4% agricultural export subsidy reduction (commodity basis) begins
2.4% agricultural tariff reduction begins
3.0% minimum access for agricultural imports established

Rules of origin

3-year work plan begins on harmonization of rules-of-origin

Services

Negotiations on financial services conclude
Negotiations on movement of personnel conclude
Negotiations on GATS safeguards provisions begin

1996
Market Access

Tariffs

5.0%	Industrial goods tariff cut
	Equipment, furniture, and spirits zero/zero continues
	Steel and toys zero/zero continues

Agriculture

Developed countries

3.3%	reduction domestic agricultural support continues
6.0%	agricultural export subsidy reduction (budget basis) continues
3.5%	agricultural export subsidy reduction (commodity basis) continues
6.0%	agricultural tariff reduction continues
3.33%	minimum access for agricultural imports

Developing countries

1.3%	reduction domestic agricultural support continues
2.4%	agricultural export subsidy reduction (budget basis) continues
1.4%	agricultural export subsidy reduction (commodity basis) continues
2.4%	agricultural tariff reduction continues
3.2%	minimum access for agricultural imports

Subsidies

Review of R&D subsidy provisions

Services

Negotiations on basic telecommunications conclude
Negotiations on maritime transport services conclude
Interim agreement on financial services begins

Intellectual property

Intellectual property commitments applied by developed countries

Procurement

Agreement on Government Procurement 1996 enters into force

WTO

First biennial meeting of the General Council of the WTO (Ministerial Conference).
Review of the work and terms of reference of the Committee on Trade and Environment

1997
Market Access

Tariffs

5.0% Industrial goods tariff cut
Equipment, furniture, and spirits zero/zero continues
Steel and toys zero/zero continues
Completed ratification of *Final Act* due for GATT 1947 signatories wishing to convert to WTO membership

Agriculture

Developed countries

3.3% reduction domestic agricultural support continues
6.0% agricultural export subsidy reduction (budget basis) continues
3.5% agricultural export subsidy reduction (commodity basis) continues
6.0% agricultural tariff reduction continues
3.67% minimum access for agricultural imports

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
3.4% minimum access for agricultural imports

PSI

First review of provisions on preshipment inspection

Rules of origin

Harmonization of rules-of-origin work plan completed

Services

Negotiations on government procurement of services under the GATS begin
Negotiations on GATS safeguards provisions conclude
Interim agreement on financial services ends

Intellectual property

First review of provisions on geographical indications

Procurement

Agreement on Government Procurement 1996 enters into force for Korea

1998
Market Access

Tariffs

5.0% Industrial goods tariff cut
Equipment, furniture, and spirits zero/zero continues
Steel and toys zero/zero continues

Textiles

Council on Trade in Goods reviews operation of stage 1 of the Textile Agreement;
17% of 1990 import volume of textile and apparel products covered under the Textile Agreement placed under multilateral GATT/WTO rules;
25% remaining bilateral textile quotas expanded by 25%

Agriculture

Developed countries
3.3% reduction domestic agricultural support continues
6.0% agricultural export subsidy reduction (budget basis) continues
3.5% agricultural export subsidy reduction (commodity basis) continues
6.0% agricultural tariff reduction continues
4.0% minimum access for agricultural imports

Developing countries
1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
3.6% minimum access for agricultural imports

Sanitary and phytosanitary measures

Review of operation and implementation of SPS provisions.

Technical barriers to trade

First review of operation and implementation of TBT barriers to trade provisions.

Antidumping practices

Consideration of expanding antidumping standard of review generally USA begins review of dumping and countervailing duty cases in force ("sunset" reviews) in July 1998

Safeguards

End all voluntary restraint agreements ("grey-area" measures) except for single permitted exemption

1999
Market Access

Tariffs

5.0% Industrial goods tariff cut; market access cuts complete
Equipment, furniture, and spirits zero/zero complete
Steel and toys zero/zero continues

Agriculture

Developed countries

3.3% reduction domestic agricultural support continues
6.0% agricultural export subsidy reduction (budget basis) continues
3.5% agricultural export subsidy reduction (commodity basis) continues
6.0% agricultural tariff reduction continues
4.33% minimum access for agricultural imports

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
3.8% minimum access for agricultural imports

Negotiations on continuing reform of trade in agriculture begins

Trade-related investment measures

End all trade-related investment measures inconsistent with GATT/WTO
WTO Council for Trade in Goods reviews TRIMS Agreement

Subsidies

Committee review of "serious prejudice" definition, nonactionable subsidies, and consultations and authorized remedies
End initial U.S. legislative authorization to accept nonactionable subsidy category under the URA

Safeguards

End single permitted restraint agreement (EU-Japan automobile agreement)

Services

Negotiations on trade in services recommence
WTO Council for Trade in Services reviews of Annex on Air Transport Services

Dispute settlement

Ministerial Conference review of dispute settlement rules and procedures

2000
Market Access

GATT 1994

First review of "grandfathered" provisions such as the U.S. Jones Act

Tariffs

Steel and toys zero/zero continues

Agriculture

Developed countries

3.3% reduction domestic agricultural support complete
6.0% agricultural export subsidy reduction (budget basis) complete
3.5% agricultural export subsidy reduction (commodity basis) complete
6.0% agricultural tariff reduction complete
4.67% minimum access for agricultural imports

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
4.0% minimum access for agricultural imports

Customs

Customs Agreement implemented for developing countries

PSI

Second review of provisions on preshipment inspection

Subsidies

LDCs prohibit export subsidies based on the use of domestic over imported goods

Intellectual property

TRIPS commitments applied by developing countries
First review of TRIPS Agreement

2001
Market Access

Tariffs

Steel and toys zero/zero continues

Agriculture

Developed countries

5.0% minimum access for agricultural imports complete

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
4.2% minimum access for agricultural imports complete

Technical barriers to trade

Second review of operation and implementation of TBT provisions.

Trade-related investment measures

Least developed countries

End all trade-related investment measures inconsistent with GATT/WTO

Antidumping practices

USA completes review of dumping and countervailing duty cases in force ("sunset" reviews) by July 2001

2002
Market Access

Tariffs

Steel and toys zero/zero continues

Textiles

Council on Trade in Goods reviews operation of stage 2 of the Textile Agreement;
18% of 1990 import volume of textile and apparel products covered under the Textile Agreement placed under multilateral GATT/WTO rules;
27% remaining bilateral textile quotas expanded by 27%

Agriculture

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
4.4% minimum access for agricultural imports

Intellectual property

Second review of TRIPS Agreement

2003
Market Access

GATT 1994

Second review of "grandfathered" provisions such as the U.S. Jones Act

Tariffs

Steel and toys zero/zero continues

Agriculture

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
4.6% minimum access for agricultural imports

Subsidies

Developing countries prohibit export subsidies contingent on export performance; Least developed countries prohibit export subsidies contingent on the use of domestic over imported goods

2004
Market Access

Tariffs

Steel and toys zero/zero complete

Agriculture

Developing countries

1.3% reduction domestic agricultural support continues
2.4% agricultural export subsidy reduction (budget basis) continues
1.4% agricultural export subsidy reduction (commodity basis) continues
2.4% agricultural tariff reduction continues
4.8% minimum access for agricultural imports

Technical barriers to trade

Third review of operation and implementation of TBT provisions.

PSI

Third review of provisions on preshipment inspection

Intellectual property

Third review of TRIPS Agreement

2005
Market Access

Textiles

Council on Trade in Goods reviews operation of stage 3 of the Textile Agreement;

49% the remaining 49% of 1990 textile trade removed from bilateral quota and placed under multilateral GATT rules; textile trade integration into GATT system complete

Agriculture

Developing countries

1.3% reduction domestic agricultural support complete
2.4% agricultural export subsidy reduction (budget basis) complete
1.4% agricultural export subsidy reduction (commodity basis) complete
2.4% agricultural tariff reduction complete
5.0% minimum access for agricultural imports complete

Intellectual property

TRIPS commitments applied by least developed countries

2006

GATT 1994

Third review of "grandfathered" provisions such as the U.S. Jones Act

Intellectual property

Fourth review of TRIPS Agreement

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USITC, *Potential Impact on the U.S. Economy and Industries of the GATT Uruguay Round Agreements* (investigation No. 332-353), USITC publication 2790, June 1994.

USITC, *The Year in Trade 1993: Operation of the Trade Agreements Program*, USITC publication 2764, June 1994.

APPENDIX

Office of Economics Working Papers - List

Office of Economics Working Papers
U.S. International Trade Commission
September, 1995

The following is a list of recent Office of Economics working papers. Copies of papers, and a complete list of working papers which are currently available, can be obtained from the Office of Economics. Please request working papers by reference date/code, title, and author. Address requests to: Office of Economics, U.S. International Trade Commission, 500 E Street SW, Washington DC 20436, USA, or by fax at (202) 205-2340.

Reference Date/Code	Title	Authors
1995:		
95-07-A	Transition to A Market Economy in the Countries of the Central European Free Trade Agreement (Visegrad Group)	*Peter Pogany
95-06-D	After NAFTA: Western Hemisphere Trade Liberalization and Alternative Paths To Integration	*Sandra A. Rivera
95-06-C	International Trade, Labor Standards & Labor Markets Conditions	*Mita Aggarwal
95-06-B	Economic Policies and Developments in the countries of the Central European Free-Trade Agreement (VISEGRAD GROUP) DURING 1948-1989	*Peter Pogany
95-06-A	China Briefing Paper	*James Tsao and *Janet Whisler
95-04-A	International Trade, Environmental Quality and Public Policy	*Michael J. Ferrantino
95-03-A	Export Diversification and Structural Dynamics in the Growth Process: The Case of Chile	Sheila Amin Gutierrez-de Piñeres and *Michael J. Ferrantino
1994:		
94-12-C	Regional Trade Arrangements and Global Welfare	*Nancy Benjamin
94-12-B	The General Equilibrium Implications of Fixed Export Costs on Market Structure and Global Welfare	*Michael P. Gallaway
94-11-B	Economic Analysis for Trade and Environment - An Introduction	*Michael J. Ferrantino
94-11-A	A Brief Description of International Institutional Linkages in Trade and Environment	*Michael J. Ferrantino
94-10-B	Explaining Japanese Acquisitions in the United States: The Role of Exchange Rates	*Bruce Blonigen
94-10-A	The Cash Recovery Method and Pharmaceutical Profitability	*Christopher T. Taylor
94-08-A	Towards a Theory of the Biodiversity Treaty	*Michael J. Ferrantino
94-06-A	Estimating Tariff Equivalents of Nontariff Barriers	*Linda A. Linkins and *Hugh M. Arce
1993:		
93-11-B	Infant Industry Protection with Oligopoly and Learning-by-Doing	*Theodore To
93-11-A	A Computable General Equilibrium Estimation of the Effects of the U.S. Meat Program	*Gerald Berg Kenneth A. Reiert
93-08-B	Export Subsidies and Oligopoly with Switching Costs	*Theodore To
93-08-A	Tariffs, Rent Extraction and Manipulation of Competition	*Theodore To
93-07-A	A General Equilibrium Analysis of North American Economic Integration	David W. Roland-Holst *Kenneth A. Reinert *Clinton R. Shiells
93-06-B	AGE Models of North American Free Trade: An Introduction	*Joseph F. Francois *Clinton R. Shiells
93-06-A	Trade Policy and Employment in General Equilibrium	Karen E. Thierfelder *Clinton R. Shiells
93-04-A	Linking Trade and Growth: Insights from the New Growth Theories	*Joseph F. Francois *Clinton R. Shiells
93-03-A	Scale Neutrality, Process Innovation, and Growth	*Joseph F. Francois *Clinton R. Shiells

Source: * Staff Economist, U.S. International Trade Commission.

STATISTICAL TABLES

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Indexes of industrial production, by selected countries and by specified periods, Jan. 1992-July 1995
(Total industrial production, 1991=100)

Country	1992	1993	1994	1994					1995					
				II	III	IV	I	II	Feb.	Mar.	Apr.	May	Jun.	Jul.
United States[1]	107.6	112.0	118.1	117.4	118.8	120.4	122.1	121.2	122.1	121.9	121.2	121.2	121.1	121.3
Japan	98.0	92.0	93.1	91.8	94.1	94.0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Canada[3]	98.8	101.4	107.9	106.9	109.4	111.7	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Germany	101.0	93.5	96.6	96.4	97.6	99.2	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom	98.0	98.0	103.1	102.7	104.1	107.7	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
France	98.9	95.3	(2)	98.6	99.7	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Italy	97.8	95.7	102.2	100.7	103.7	104.5	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] 1987=100.
[2] Not available.
[3] Real domestic product in industry at factor cost and 1986 prices.

Source: *Main Economic Indicators*, Organization for Economic Cooperation and Development, March 1995, *Federal Reserve Statistical Release*; August 15, 1995.

Consumer prices, by selected countries and by specified periods, Jan. 1992-June 1995
(Percentage change from same period of previous year)

Country	1992	1993	1994	1994				1995							
				II	III	IV	Dec.	I	II	Jan.	Feb.	Mar.	Apr.	May	Jun.
United States	3.0	3.0	2.6	2.4	2.9	2.7	2.7	2.8	3.1	2.8	2.9	2.9	3.1	3.2	3.0
Japan	1.6	1.3	0.7	0.7	0.0	0.8	0.7	0.1	0.0	0.6	0.2	-0.4	-0.2	0.0	0.3
Canada	1.5	1.8	0.2	0.0	0.2	0.0	0.2	1.6	2.7	0.6	1.8	2.2	2.5	2.9	2.7
Germany	4.0	4.2	3.0	3.0	3.0	2.8	2.7	2.3	2.3	2.3	2.4	2.3	2.3	2.2	2.4
United Kingdom	3.7	1.6	2.5	2.6	2.3	2.6	2.9	3.4	3.4	3.3	3.4	3.5	3.3	3.4	3.5
France	2.4	2.0	1.7	1.7	3.8	1.6	1.6	1.7	(1)	1.7	1.7	1.8	1.6	1.6	(1)
Italy	5.1	4.4	1.0	3.9	3.8	4.0	4.2	54.4	5.5	4.0	4.5	4.9	5.2	5.4	5.8

[1] Not available.

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, August 1995.

Unemployment rates, (civilian labor force basis)[1] by selected countries and by specified periods, Jan. 1992-June 1995

Country	1992	1993	1994	1994			1995							
				II	III	IV	I	II	Jan.	Feb.	Mar.	Apr.	May	Jun.
United States	7.4	6.8	6.1	6.2	6.0	5.6	5.5	5.7	5.7	5.4	5.5	5.8	5.7	5.6
Japan	2.2	2.5	2.9	2.9	3.0	3.0	3.0	3.2	2.9	3.0	3.0	3.2	3.1	3.2
Canada	11.3	11.2	10.3	10.7	10.2	9.7	9.7	9.5	9.7	9.6	9.7	9.4	9.5	9.6
Germany	4.6	5.8	6.5	6.5	6.5	6.5	6.5	(2)	6.4	6.4	6.5	6.5	6.5	(2)
United Kingdom	10.0	10.4	9.5	9.7	9.6	9.0	8.7	(2)	8.8	8.7	8.7	8.6	8.6	(2)
France	10.2	11.3	12.3	12.4	12.4	12.3	12.5	(2)	12.2	12.1	12.1	12.4	(2)	(2)
Italy	7.3	10.3	11.4	11.9	11.4	12.0	12.2	(3)	12.2	(3)	(3)	12.2	(3)	(3)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.
[2] Not available.
[3] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, August 1995.

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Money-market interest rates,[1] by selected countries and by specified periods, Jan. 1992-July 1995

(Percentage, annual rates)

Country	1992	1993	1994	1994 II	1994 III	1994 IV	1995 I	1995 II	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
United States	3.7	3.2	4.6	4.3	4.8	5.8	6.2	6.0	6.2	6.2	6.1	6.1	6.0	5.9	5.7
Japan	4.4	2.9	2.2	2.1	2.2	2.3	2.2	(2)	2.3	2.3	2.1	1.5	1.3	1.1	(2)
Canada	6.7	5.1	5.5	5.7	5.8	5.9	8.1	(2)	7.8	8.4	8.3	8.1	7.5	7.0	(2)
Germany	9.4	7.1	4.0	5.1	4.8	5.1	4.9	(2)	5.0	5.0	4.9	4.5	4.4	4.4	(2)
United Kingdom	9.5	5.8	5.4	5.1	5.3	6.0	6.6	(2)	6.5	6.7	6.6	6.6	6.6	6.6	(2)
France	10.1	8.3	5.7	5.5	5.5	5.5	5.7	(2)	5.7	5.7	7.7	7.6	7.2	7.0	(2)
Italy	13.9	10.0	8.4	7.9	8.5	8.8	9.7	(2)	9.1	9.1	10.9	10.9	10.3	10.9	(2)

[1] 90-day certificate of deposit.
[2] Not available.

Source: *Federal Reserve Statistical Release*, July 10, 1995; *Federal Reserve Bulletin*, July 1995.

Effective exchange rates of the U.S. dollar, by specified periods, Jan. 1992-July 1995

(Percentage change from previous period)

Item	1992	1993	1994	1994 II	1994 III	1994 IV	1995 I	1995 II	Mar.	Apr.	May	Jun.	Jul.
Unadjusted: Index[1]	97.0	100.1	98.5	100.0	96.5	95.9	96.0	89.7	92.4	89.3	89.9	89.8	90.0
Percentage change	-1.5	3.1	-1.6	-1.6	-3.5	-.6	.1	-7.0	-3.6	-3.3	.6	-.1	.2
Adjusted: Index[1]	100.9	104.2	101.5	103.5	99.9	98.0	95.1	90.8	92.9	90.5	91.0	90.9	91.3
Percentage change	-.1	3.3	-2.7	-1.2	-3.6	-1.9	-2.9	-5.1	-3.9	-2.6	.5	-.1	.4

[1] 1990 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 18 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, August 1995.

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Merchandise trade balances, by selected countries and by specified periods, Jan. 1992-June 1995
(In billions of U.S. dollars, Exports less imports (f.o.b - c.i.f), at an annual rate)

				1994		1995					
Country	**1992**	**1993**	**1994**	**III**	**IV**	**I**	**II**	**Mar.**	**Apr.**	**May**	**Jun.**
United States[1]	-84.5	-115.7	-151.3	-164.5	-157.1	-167.5	-175.2	-156.2	-179.4	-170.5	-175.8
Japan	106.4	120.3	(2)	113.5	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Canada[3]	12.1	13.3	18.0	20.1	24.7	(2)	(2)	(2)	(2)	(2)	(2)
Germany	21.0	35.8	45.6	40.2	55.2	(2)	(2)	(2)	(2)	(2)	(2)
United Kingdom	-30.8	-25.5	(2)	-15.3	(2)	(2)	(2)	(2)	(2)	(2)	(2)
France[3]	5.8	15.8	15.8	15.6	23.0	(2)	(2)	(2)	(2)	(2)	(2)
Italy	-6.6	20.6	(2)	27.6	(2)	(2)	(2)	(2)	(2)	(2)	(2)

[1] Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.
[2] Not available.
[3] Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, August 17, 1995; *Main Economic Indicators*, Organization for Economic Cooperation and Development, March 1995.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1992-June 1995

					1994	1995					
Country	**1992**	**1993**	**1994**	**IV**	**I**	**II**	**Feb.**	**Mar.**	**Apr.**	**May**	**Jun.**
Commodity categories:											
Agriculture	18.6	17.8	19.0	6.9	6.2	4.9	2.2	2.1	1.9	1.6	1.4
Petroleum and selected product—(unadjusted)	-43.9	-45.7	-47.5	-11.5	-11.6	-12.8	-3.5	-4.3	-3.9	-4.5	-4.4
Manufactured goods	-86.7	-115.3	-155.7	-47.5	-40.3	-43.0	-12.3	-13.0	-13.6	-13.8	-15.6
Selected countries:											
Western Europe	6.2	-1.4	-12.5	-3.6	-.1	-2.9	-.5	.3	-.4	-.9	-1.6
Canada	-7.9	-10.2	-14.5	-4.8	-2.4	-4.0	-.9	-.5	-1.5	-.8	-1.7
Japan	-49.4	-59.9	-65.6	-18.2	-15.0	-16.4	-4.6	-5.8	-5.8	-5.4	-5.2
OPEC (unadjusted)	-11.2	-11.6	-13.8	-3.2	-1.6	-3.7	-.7	-.6	-1.2	-1.3	-1.2
Unit value of U.S. imports of petroleum and selected products (unadjusted)	$16.80	$15.13	$14.22	$14.95	$15.43	$16.97	$15.50	$15.76	$16.71	$17.39	$16.81

[1] Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, August 17, 1995.

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